

Message Text

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16

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

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TO SECSTATE WASHDC 6557

INFO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EGEN, EMIN, ENRG, ID, JA

SUBJ: ASAHAN PROJECT

REF: JAKARTA 10386

1. PRESS REPORT SIMILAR THAT CITED REFTEL APPEARED IN JAPANESE PRESS AUGUST 29. OFFICIAL OF SUMITOMO CHEMICAL INDUSTRY, ONE OF JAPANESE FIRMS INTERESTED IN PROJECT, PROVIDED THE FOLLOWING INFORMATION:

A. JAPANESE COMPANIES AND GOI TEAM LED BY INVESTMENT COMMITTEE VICE CHAIRMAN SUHUDO HELD TALKS FOR ABOUT ONE WEEK BEGINNING AUGUST 23. AGREEMENT WAS REACHED ON COST OF CONSTRUCTION OF 480,000 KW HYDROELECTRIC POWER STATION (\$190 MILLION) AND ALUMINUM SMELTING PLANT WITH ULTIMATE ANNUAL CAPACITY OF 225,000 TONS (\$310 RPT \$310 MILLION). ABOVE FIGURES ARE BASED ON MARCH 1972 PRICES AND WILL PROBABLY RISE SOMEWHAT.

B. THE FOLLOWING MATTERS REMAIN TO BE RESOLVED:

(1) LENGTH OF PERIOD OF DEPRECIATION OF POWER PLANT, FOLLOWING WHICH IT WOULD BE NATIONALIZED BY GOI. JAPANESE AND AMERICAN FIRMS ARE PRESSING FOR LONGER PERIOD THAN GOI WISHES TO GRANT.

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(2) GRANTING OF SOFT LOANS TO JAPANESE AND AMERICAN COM-

PANIES BY THEIR RESPECTIVE GOVTS' SOFT LOAN AGENCIES. JAPANESE COMPANIES EXPECT THAT IT WILL BE DIFFICULT FOR THEM TO OBTAIN THE DESIRED CONCESSIONAL FINANCING.

(3) SOURCE OF ALUMINA. ISSUE IS WHETHER TO OBTAIN ALUMINA FROM JAPANESE PROJECT AT BINTAN ISLAND OR AMERICAN PROJECT AT KALIMANTAN.

C. JAPANESE COMPANIES HOPE TO RESOLVE THESE MATTERS SATISFACTORILY BY YEAR END.

2. COMMENT: TALKS MAY INDICATE PROGRESS TOWARDS REACHING UNDERSTANDING ON PROJECT, BUT IT STILL SEEMS PREMATURE TO SPEAK OF QTE AGREEMENT UNQTE. END COMMENT.
SHOESMITH

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